

Minutes
Greater Tompkins County Municipal Health Insurance Consortium
Finance Committee
July 24, 2013 – 9 a.m.
Old Jail Conference Room

APPROVED

Present: Don Barber, Mack Cook, Jared Pittman
Staff and guests: Steve Locey, Judy Drake, Kevin Sutherland, David Squires, Rick Snyder, Michelle Pottorff

Call to Order

Mr. Barber called the meeting to order at 9 a.m.

Approval of Minutes of June 18, 2013

The minutes of the June 18, 2013 meeting were accepted as presented.

Update on Budget Information

Mr. Locey distributed a graph showing monthly covered lives. He noted the Consortium is 15% above budget on premium income; the reason is because the Consortium is approximately 15% above where it was in 2012 with the total number of covered lives in the group. Before the City of Cortland and the Town of Lansing joined the Consortium had close to 4,500 covered lives; the average increase when they joined was 15.3% on a monthly basis. This means the premium increase is what would be expected from a covered lives perspective. He said the good news is that the claims did not increase and from a large loss perspective and the Consortium is dramatically lower than where it was last year. To date, the largest claim is only \$171,000. Mr. Locey distributed high cost claimant reports and noted the very large losses that were incurred between January 1, 2012 and December 31, 2012 compared to the large losses claimed to date in 2013.

Mr. Locey distributed a document entitled 2011 and 2012 Actual Results and 2013-2016 Fiscal Year Projections. At the last meeting there was discussion of a catastrophic claims reserve with a starting basis of 2% of total claims. This was built into the projected budget; in 2013 it would be \$631,049 and paid for out from the total assets of the Consortium. He reviewed the revised budget for 2013 and stated the claims expectation has been reduced slightly from what was previously presented; however, the Consortium is still looking at a substantial increase in its cash assets by year-end. Mr. Locey then reviewed the following assumptions contained within the document for 2014 to 2016:

- Premium revenue increased by 8.0%;
- Interest income – 1% of beginning balance;
- Prescription drug rebates - \$250,000;
- Paid claims trend – 8.85%;
- Administrative fees per agreement with Excellus BCBS then increased by 35 per annum;
- NYS Graduated Medical Expense increased by 5%;
- Specific Stop-Loss insurance increased by 20%;
- Aggregate Stop-Loss insurance increased by 5%;
- Surety bond fee/loan interest estimated at 3% of principle balance;
- All other fees increased by 3%;
- Capitalization repayment includes annual interest of 3%;

- Beginning balance and ending balance includes advance deposit held at Excellus BCBS as a pre-payment of claims (\$798,600 as of 12-31-2012)

Upon being informed by Mr. Squires that rebates for the 3rd and 4th quarter of 2012 have not been received from Express Scripts, Mr. Locey said he will contact Express Scripts. He noted that rebates are not available on generic drugs.

Mr. Cook questioned whether an 8% increase in premium would be sufficient because of the Affordable Care Act and its associated taxes. Mr. Locey said because the Consortium is a self-insured group it will not be subject to the 2% Health Insurance Sector Fee. The two fees the Consortium will be subjected to will be added into the budget. Ms. Drake asked what level of an unencumbered fund balance the Consortium should maintain. Mr. Locey said he likes to see at least 10% of premium and noted the Consortium will be over that at the end of the year.

Mr. Cook said he would like to be cautious in setting forth an expectation of rate decrease as the Consortium is still too new. Mr. Locey said he believes most people would be pleased with seeing a decrease in the rate to 8% along with the building of some reserves.

Mr. Locey reviewed the contents of a memorandum regarding the classification and definition of liabilities and reserves and said it provides a summary of the statutory requirements of Article 47. He noted the only liability the Consortium has is the IBNR (Incurred But Not Reported) claims liability at 12%. The other reserve account that is required is the Rate Stabilization Reserve (Surplus Account). This is 5% of the expected annualized premium placed into a reserve for unexpected obligations that may happen upon termination. Other additional reserve categories the Consortium is allowed to have are: a reserve for unearned premium equivalents, a claim stabilization reserve, and a reserve for other obligations of the municipal cooperative health benefit plan. In addition, the Consortium could establish a catastrophic claims reserve which Mr. Locey believes would be prudent and could be established at 2% of expected paid claims for 2014 (\$630,000). Mr. Locey noted it is much easier to increase premiums than it is to deal with assessments on municipalities.

Mr. Cook asked if it would be premature to discuss paying back the Capitalization Reserve. Mr. Locey did not think that would be premature and suggested setting an expectation that if the fund balance is at a certain level that is paid back in full and if it is not a portion could be paid back. At this time he believes the Consortium will be in good enough shape in 2014 to pay the full amounts back. It was noted that if the Board of Directors chooses to pay back the Capitalization Reserve plus interest the State needs to be informed; approval is not required.

Mr. Barber said at the last meeting a question was raised about the Excellus administrative fee and it being much higher than expected. Mr. Squires explained it was a timing issue with the billing and payments.

Premium Equivalent Rate Setting

Mr. Locey distributed a document entitled 2012 and 2013 Fiscal Year Premium Equivalent Rates. He said there are two distinct rates that are charged: a medical plan rate and a prescription drug rate. The ratio between the rates was originally set to try to be equivalent to the expectation of costs in those areas and is approximately a 70/30 split. In terms of differences in the various rates they looked at the benefit difference associated with each of the plans. They do not look at total claims but at the average person's use of each of the plans and what the cost difference is to the plan and to the member and ultimately to the premium. Once the rates are established they take the total budget increase in revenue and apply it to the base rates and differentials that have already been established. This is a community-rating methodology that allows everyone's rate to rise consistently. He said he can

provide the differentials that are used if members would like that information. Once the rate is established the census counts are entered for all of the groups to make sure it comes close to what the expected budget and premium is for the year. He noted when the Board approves the rate increase there could be a slight variance in the actual premium equivalent rates to get the budget to the 8% revenue number.

Mr. Locey said that effective in 2014 as a result of the Affordable Care Act there will be some out-of-pocket limits with some of the plans. He doesn't believe this will have an impact on because the limits are so high and the overwhelming majority of people will never approach them. He has Excellus running reports to review what co-pays are being paid now. The Plan designs will need to be updated again for this. A question was raised concerning the usage of out-of-network providers. Mr. Locey said the two biggest issues that have been experienced locally are with therapists and the dialysis clinic that are not participating providers.

For the next meeting Mr. Locey will provide the differentials used and census information to show how the premium, the census, and monthly revenue relates to the budget. Mr. Barber asked that Mr. Locey show the data he receives from Excellus and the process that is used for the prescription side. Mr. Locey will update this for the next meeting and will add 2014 to the document with and rate estimate of 8%

Adjournment

The meeting adjourned at 11:42 a.m.

Respectfully submitted by Michelle Pottorff, Administrative Clerk